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SIPDIS

SENSITIVE  
SIPDIS

TREAS for OFAC (RWERNER), FINCEN (MMELANCON), EOTFFC  
(POBRIEN) and (RLEBENSON, JSERAFINI), OIA (JGARDNER) and/or  
(MLEAVITT)  
JUSTICE FOR OPDAT

E.O. 12958: N/A

TAGS: [EFIN](#) [KTFN](#) [PTER](#) [PBIO](#) [TU](#) [IZ](#)

SUBJECT: TURKISH FINANCE MINISTER ON TERRORISM FINANCE

¶1. (SBU) Summary: In his first meeting with Finance Minister Unakitan, the Ambassador stressed the importance of preparing for Turkey's upcoming Financial Action Task Force (FATF) review. Unakitan expressed confidence that the legislation governing Turkey's anti-financial crime agency will be passed soon, but seemed to be under the misapprehension that passage of the law will be sufficient for Turkey to implement the FATF recommendations. The Minister expects both this law and the social security reform laws needed for the IMF program to be passed in the coming month. End Summary.

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Terrorism Finance  
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¶2. (SBU) In response to remarks by the Ambassador about improving U.S.-Turkish relations, Unakitan said that Turkey and the U.S. have a strong friendship and both sides need to see benefits from it. He believed the relationship will continue to grow, noting bilateral cooperation in many fields, including on anti-money laundering and counter-terrorism finance (AML/CTF) issues. Unakitan said the GOT views terrorism as a crime against all humanity and a global issue.

¶3. (SBU) Ambassador raised Turkey's FATF review and the need to pass the "MASAK law" as one of a number of needed preparatory measures. Unakitan, as he has in earlier meetings, implied that passage of the MASAK law will allow Turkey to meet FATF requirements. The MASAK law (which explicitly criminalizes terrorism finance and provides safe harbor for bank filers of suspicious transaction reports) is now under review by a parliamentary sub-commission, according to Unakitan. The Minister was optimistic it will be passed into law in the next month. (Later in the conversation, however, he noted that the GOT has several other priority draft laws in need of passage as well, such as the law merging the social security institutions and the pension reform law.)

¶4. (SBU) Ambassador mentioned the Turkish National Police's creation of a terrorism finance unit and thought this was an opportunity to intensify cooperation between MASAK (the Turkish financial Intelligence unit under the Ministry of Finance) and the police. The Minister said three ministries cooperate closely on terrorism finance: Justice, Finance and Interior (police).

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PKK  
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15. (SBU) Ambassador pointed out another area of cooperation: cutting off PKK support networks, including financing, in western Europe and briefed the Minister on the December visit of an interagency team of U.S. law enforcement and intelligence experts with their Turkish counterparts. The Minister seemed aware of the effort and appreciated it.

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Counterfeit Cigarette Factory in northern Iraq  
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16. (SBU) As he has before, Unakitan asked for U.S. help regarding a factory in northern Iraq that produces counterfeit cigarettes for export to Turkey, thereby causing a substantial loss of tax (and tobacco parastatal) revenue. Unakitan linked this issue to the PKK issue, suggesting the factory was a source of financing to the PKK.

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IMF Program, Fiscal Policy and Social Security Reform  
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17. (SBU) Asked about the macroeconomic situation, Unakitan echoed a point Economy Minister Babacan sometimes makes: the AKP Government laid out its program in its pre-election party manifesto in 2002 and has been implementing it since. Unakitan said the GOT's core economic priorities are fiscal discipline, lower inflation with the help of an independent central bank, and privatization. He added that the 2005 start of EU accession negotiations had accelerated the

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improvement in the economic situation, and thanked the Ambassador for U.S. support for Turkey's EU accession.

18. (SBU) On the twice-delayed social security reform legislation, Unakitan said it was important for Turkey regardless of the IMF program and that the social security institutions' deficit was a big headache for him. He hoped the legislation would be passed in the next month, as agreed to with the IMF.

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Bio Note  
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19. (SBU) When asked about his children's extended time in the U.S., Unakitan said all three of his grown children had studied and lived in the U.S. but had now returned to Turkey. His oldest daughter, a medical doctor, had lived in Pittsburgh, and his son and other daughter studied at Ohio State. The youngest daughter earlier attended a girls' school in Troy, NY. Unakitan said his two grandsons were American citizens, having been born in the U.S.

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